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## *Cash Flow Management for the Self-Employed*

One of the biggest struggles for Self-Employed (SE) customers is cash flow management. However, cash flow management does not need to be mysterious or complex. Managing cash is all about timing the inflows and outflows. In its simplest form, cash flow refers to the flows of cash, literally, into and out of the business. Think in terms of actual cash, dollar bills, flowing in and out of the business, and then identify both their sources and uses. This is cash-flow analysis.

Cash Flow Analysis can be performed by most anyone. Your customers start the process by going to their check book or accounting system and analyzing their receipts and expenditures over the past few months. A pattern is likely to emerge. What are the revenue sources, and how consistent are they from month to month? As well, what are the expenditures, and how repeatable are they from month to month? Next, look at the incoming revenue stream from the sales forecast to confirm and further predict cash inflows (receipts), and expenses to build a pattern of required future disbursements. Match the two. Is there a positive or negative cash flow?

The results of Cash Flow Analysis, a positive or negative cash flow, is most easily visualized by using the [Cash Flow Worksheet](#). Your customer can use the Cash Flow Worksheet in order to organize their cash flow projections into an easy-to-read format. This tool offers business owners a simple way to review critical cash flow data without having to sift through piles of paperwork and receipts. With these insights, business owners can make important decisions that help them achieve a positive cash flow. The Cash Flow Worksheet is available in [PDF](#) or [Excel](#) format.

### **ADDITIONAL RESOURCES |**

More small business worksheets and resources can be found in our [Business Support Tools](#).

Another way that SE customers can further support the success of their business is by utilizing a [contingency reserve](#). Contingency reserves are funds that are set aside to protect against future losses. For example, a home handy-man has regular expenses each month including rent for a small shop and truck payments. He must bring in enough revenue to at least cover these regular expenses. If he has set-up a contingency reserve, he will have the resources to meet his obligations even in a month where revenues are below projections, he has an unexpected truck repair, or some other cost emergency arises. Of course, he can't keep running the business at a loss or he will totally run out of cash resources.

Ultimately, your customers, large or small, must understand the balance of revenues and expenses. A negative cash flow can be a serious problem for every business. The worst symptom of the problem: the business runs out of cash. Watching a business floundering, running out of cash even as it makes positive sales and profits is painful. Painful though it may be, it is common and repeatedly the cause of business failure. Encourage your SE customers to take time to experiment with combinations of different alternatives. A controlled cash flow, the end result of this process, will more than repay the time and effort given to it. In fact, it may save the life of the business – and the future of the owner/managers as well.

For more information, visit: <http://www.buzvr.org/>

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